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ABSTRACT

Written in simple, easy to understand form, the manual provides a vehicle for the untrained person in bookkeeping to control funds received from grants for Indian Tribal Councils and Indian organizations. The method used to control grants (federal, state, or private) is fund accounting, designed to organize rendering services on a non-profit basis. Primary objectives in establishing the accounting system and general policies and standards by which grants operate are the following: (1) to provide management with financial data to assist in planning, evaluation, and control of grant operations; (2) to provide accurate accounting for control of assets, insure expenditures, and use of resources; (3) to summarize historical data projecting cost elements and categories for budget purposes; and (4) to prepare reports as a vehicle of communicating managerial information. Examples and detailed information are outlined on the following topics: internal control, accounting records to be maintained, payroll register, petty cash fund, documentation, daily cash control, and chart of accounts. (ERB)

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FISCAL ACCOUNTING MANUAL

INDIAN ASSISTANCE PROGRAM
STATE OF CALIFORNIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

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RC 013533

FISCAL ACCOUNTING MANUAL

State of California

Office of Planning and Research

Department of Housing and Community Development

Barry D. Whittlesey, Director

California Tribal Chairmen's Association

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June 30, 1974

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FOREWORD

Comments from the Staff of the
Indian Assistance Program
Dept. of Housing and Community Development

The preparation of this manual was prompted by our concern for the survival of Indian Tribal Councils and organizations. Not survival in terms of the "elements," but rather fiscal and program responsibility.

We have been concerned due to the failure of many organizations to properly account for funds. It does not matter that the funds are federal, tribal, grant, or loan, the fact remains that accurate accountability and the ability to relate financial conditions to program accomplishments is essential. That is the reason for this manual -- a simple, easy to understand and use method for keeping "books" by an untrained person. You will find absent chapters on theory, history of acccunting, and cumbersome rules and regulations.

Implementation of this manual will be carried out by the California Tribal Chairmen's Association. Advice, assistance, and general questions can be directed to that organization.

I. INTRODUCTION

This manual is written in order to provide the vehicle to control funds received from grants; federal, state or private. The method used to control grants is called governmental accounting (also known as fund accounting).

Fund accounting is similar to commercial accounting in almost every aspect, but there are some significant differences between the two which give rise to a group of accounting principles and concepts which have distinct applicability for grants administration.

The main difference is that commercial accounting exists primarily to organize and operate an enterprise for profit, fund accounting is usually designed to organize to render services on a non-profit basis.

Aside from the fact that fund accounting is service- and responsibility-oriented rather than profit-oriented, grant accounting operations are subjected to rigid and complex legal requirements and restrictions. Moreover, the accounting system must produce data and information which indicate how monies were spent, for what purposes and whether they were spent in the best manner possible.

It is to this end that this manual is compiled; to create the base that will establish systems of control and

conduct for grants administration; to create a guide for the establishment of sound accounting procedures; and to establish a reference for any future improvement of fiscal policies.

The tool through which educated managerial decisions are made is only as accurate as the system that maintains the record keeping activities of the operations. Through the accounting system, management decisions are translated into dollars and cents and are documented to serve as an accurate measure of past performance, the basis for future predictions and a guide of compliance with grant requirements, and sound fiscal management and business practices.

The accounting system usually consists of a series of operations relating to the recording, summarizing, clarifying and reporting of the day-to-day transactions being performed. It also includes procedures describing the manner in which certain operations will be performed.

In order to comply with the basic elements of generally accepted sound business practices, a copy of the following documentation should be maintained within the fiscal department:

1. Executed contract with funding agency.
2. Articles of Incorporation.
3. Bylaws.
4. Organization Chart.
5. Books of Accounts (accounting records) to be used.

6. Minutes of the Board of Directors pertaining to the project.
7. Designation of banks, account numbers and copies of the specimen signatures of all signatories authorized to sign checks.
8. Authorization levels of approval for purchases together with specimen signatures and titles.
9. Authorization levels of approval for payments together with specimen signatures and titles.
10. Fidelity Bond and Insurance Policies for:
    a. Persons who have financial responsibilities;
    b. Insurance covering:
        1. burglary
        2. comprehensive and general liability
        3. fire and theft

11. Personnel Policies and Procedures Manual.

II. STATEMENT OF PURPOSE

The primary objectives in establishing this present accounting system and the general policies and standards by which grants will operate are the following:

1. To provide management with financial data to assist in the planning, evaluation and control of the operations of the grant in an efficient, economic and effective manner.

2. To provide for the accurate accounting that will help management in better controlling the assets acquired with grant funds, insure that expenditures conform with the policies of the grantor and sound business practices, and assist in the most efficient use of resources through cost and property controls and prudent management.

3. To summarize historical data and be able to project adequately by cost elements and categories as required for budgeting purposes.

4. To prepare reports as a vehicle by which managerial information can be communicated and that will comply with the following reporting principles.

    a. Reflect accurately the results of financial transactions, disclosing all essential and pertinent data that will enhance the understanding of the grant's operations.

    b. Issued on a prompt and timely basis so as to permit timely and necessary corrective action, if required.

    c. Present management with helpful data pertinent to the spirit of the report that will aid in the interpretation, purpose and use as a decision making tool.

The following is a typical financial report which could be used by a board of directors:

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NAME
FINANCIAL REPORT ON
MONTH ENDED
OCTOBER, 1974

CATEGORY	CURRENT MONTH			YEAR TO DATE TO TOTAL GRANT		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	REMAINING
SALARIES AND WAGES	5,000	5,180	(180)	60,000	52,375	7,625
FRINGE BENEFITS	750	621	129	9,000	7,646	1,354
CONSULTANTS & CONTRACTS	700	600	100	8,400	6,000	2,400
LOCAL TRAVEL	800	750	50	9,600	7,130	2,470
OUT-OF-TOWN TRAVEL	200	300	(100)	2,400	3,780	(1,380)
SPACE COSTS	300	300	-0-	3,600	3,000	600
EQUIPMENT LEASE, RENT & PURCHASE	500	580	(80)	6,000	5,890	110
COMMUNICATIONS / UTILITIES	450	300	150	5,400	3,700	1,700
SUPPLIES	400	200	200	4,800	3,100	1,700
OTHER COSTS	900	100	800	10,800	6,483	4,317
	10,000	8931	1,069	120,000	99,104	20,896

III. DEFINITIONS

Journal -- an account book of daily transactions.

Ledger -- a record of business transactions in which all debits and credits from the journal are placed under appropriate headings.

Post -- to enter an item properly in a journal to complete the record

Balance Sheet -- a statement of financial conditions.

Debit -- a record of indebtedness such as an amount of money owed.

Credit -- a record of a reduction of indebtedness such as a bill paid or money owed you.

Payee -- one to whom money is to be paid

Disbursement -- funds paid out

Trial Balance -- a list of debit and credit balances as of a given date for the purpose of testing the equality.

IV. INTERNAL CONTROL

The objective of internal accounting controls is to provide management with reasonable assurance as to the safeguarding of assets against losses from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets.

The characteristics of an adequate system of internal control include the segregation of duties within the organization based on functional responsibilities; a system of authorization and record retention; a degree of personnel competence commensurate with responsiblities; and a sound basis for practices to be followed to achieve the objectives of internal accounting controls.

Therefore, the following should be adhered to:

1. No person should have complete control over all phases of any significant transaction.
2. Whenever possible, the flow of work should be from one employee to another so that the work of the second, without duplicating that of the first, provides a check upon it.
3. Record keeping should be separated from operations or the handling and custody of assets, such as:
   a. The function of receiving cash should be centralized in one person, who will not be concerned in any way with approving or certifying vouchers, acting as imprest fund cashier, preparing deposits, making disbursements, or keeping accounting records.

b. In receiving cash through the mail, the person responsible for opening the envelopes should immediately restrictably endorse with a stamp all checks and other negotiable instruments; these along with other cash received should be logged and listed in duplicate before forwarding the receipts to accounting for deposits to the bank.

4. Responsiblities in the fiscal department should be clearly established and followed as closely as possible.
5. Where feasible, employees will be rotated to various assignments.
6. The following should be followed in handling cash:
   a. All cash receipts should be deposited intact and for the full amount received.
   b. All collections should be deposited as soon as possible, preferably the day received.
   c. Collections and all other funds held within an office, whether pending regular deposit or in imprest funds should be restrictively endorsed and kept under complete control and under proper safeguards; preferably in a fire-resistant combination safe or safe cabinet.
   d. Uncollectable items and related documents shall not be handled by the person making up deposits or by the person handling accounts receivable.
   e. Persons preparing payrolls or time reporting records should not handle the related pay checks.
   f. Bank statements should be reconciled promptly to the formal accounting records and the reconciliation revieved and approved by the director of the grant.
   g. The number of bank accounts and inter-bank transfers should be kept to a minimum.
   h. All disbursements (other than petty cash disbursements) shall be made by pre-numbered checks countersigned by two officers.
   i. A daily cash control will be maintained showing, on a daily basis, all receipts and disbursements made and the balance of funds remaining in the bank account.

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V. ACCOUNTING RECORDS TO BE MAINTAINED

There are two methods to record transactions in an accounting system; these are known as the cash basis method and the accrual basis method.

The cash basis is a single-entry system recognizing transactions only when they affect cash. Acquisitions other than by cash are not effectively recognized. This method is simple but is prone to more errors and ommissions; an example of the cash basis accounting system is the regular checkbooks.

The accrual method of accounting recognizes the dynamic nature of obligations (payables) and attempts to match transactions to the period actually incurring them whether these are paid or not. This method is maintained using a double-entry system, which recognizes that for any charge or charges to be recorded on the books of account, a corresponding credit or credits must also be recognized.

The latter method is more complex, but has wider acceptance by both governmental and commercial entities. It is this method that is recommended for this accounting system.

In order to properly implement the system, the following books of original entry (journals) should be maintained:

1. Cash disbursements journal
2. Payroll register

3. Cash receipts journal
4. General journal
5. General ledger
6. Property Control

At each month's end, all unpaid invoices should be tallied and classified by expense category. Payroll, rent and other recurring payments should be estimated and accrued for. Purchase orders for which no invoice has been received should be considered as an invoice for accrual purposes, if the goods or services have been received. The tabulation of the above should be recorded as an accrual entry at month's end and reversed in the first days of the subsequent month in the general journal.

1. Cash Disbursements Journal

Payments for purchases, and obligations made from grant funds should be made only by check. The cash disbursements journal summarizes the activity of the checks written and the various types of expenses paid.

No check should be written unless there is documentary proof that the service or merchandise has been received and is satisfactory. When a check is written, the purpose for payment should be stated on the check and the check stub. The bill, invoice, or proof that the service or merchandise has been received should be clearly marked "Paid," dated, and the second copy of the check stapled to it to prevent duplicate payment. The paid bill should then be filed in a

vendor file in alphabetical order for future reference. Afterwards the check should be recorded in the cash disbursements journal.

The cash disbursements journal should show the following information:

1. Check number
2. To whom written
3. Date written
4. Amount of the check
5. A distribution to the expense or account affcted
6. A cross reference indicator identifying the journal's page.

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RECORD OF CHECKS DRAWN MONTH OF JUNE 1974

DISTRIBUTION OF CHECKS DRAWN MONTH

AMOUNT OF CHECK	✓	CHECK NO	DAY	DESCRIPTION	FRINGE 610	✓	CONSULT. CONT. 630	SPACE COST 640	EQUIPT L. P. R. 650	COMM UTILITIES 660	LOCAL TRAVEL 630.1	OUT OF TOWN TRAVEL 630.2	GENERAL ACCT. NO.
600 00		1003	6/1	H. YOUNG & ASSOC.			500 00						
300 00		1004	6/2	M. LANDLORD				300 00					
107 50		1005	6/3	HUGO TRAVELER								107 50	
15 00		1006	6/5	HUGO TRAVELER							15 00		
—		1007	6/5	-- VOID --									
350 00		1008	6/7	BILL'S TYPEWRITER					350 00				
75 00		1009	6/10	HUGO TRAVELER									130
150 00		1010	6/15	BANK OF AMERICA	150 00								210.1
													210.2
130 00		1011	6/16	CAL. DEPT. OF H.R.D.									210.3
													210.4
1250					150 00		500 00	300 00	350 00	-0-	15 00	107 50	

2. Payroll Register

Each employee should prepare a time card or time sheet. This time card covers a specific pay period such as one week, two weeks, etc. At the end of this period of time, the following steps should be performed:

1. The time cards are examined for records of tardiness, leaving early, absence, etc.
2. The regular hours are extended into the Hours column.
3. The amount of overtime for each day is figured and entered on the time record.
4. The regular hours and overtime hours are totaled separately.
5. The rates for regular time and overtime are entered and the earnings are computed.
6. The hours and earnings for regular and overtime are then added to show total hours and total earnings.
7. The different deductions are figured and then the net amount to be paid is determined.

After completion of these steps, the next records to be prepared are the payroll checks, payroll register or payroll journal, and the employee earnings records. Often, payroll is disbursed from the regular checking account but sometimes a regular payroll account may be preferred.

After completing the time cards, the payroll register or payroll journal should be completed using the information from the time cards. The total earnings figure from each time card is entered in the Salaries and Wages column of the payroll journal opposite the name of the employee. The columns to the left of the Cash column are used to enter the amounts that are deducted from the employees' earnings. The column headed FICA is used for Social Security. The Social Security tax can be computed or obtained for a government table.

The column headed Federal Income Tax (FIT) is used for the federal income tax withheld from each employee's earnings. This can also be obtained from a government table. This same thing would be done for state and city income taxes. The column headed SDI is used to enter amounts withheld for State Disability Insurance. The space headed Net Amount of Check is used for the amount due each employee.

After entries for all employees have been made, each of the amount columns is totaled. To check these additions compare the total of the Salaries and Wages columns with the sum of the totals of the net paid column and the deductions columns.

A detailed account should be kept for the payments made to each employee. This record, known as the employee's earnings record, is kept on cards or sheets. A separate card or sheet is kept for each employee. This record is made with divisions for totals every three months because employees are required to make reports to the federal, state, and some city governments on a quarterly basis.

The amount columns of the employee's earnings record are the same as the amount columns of the payroll journal. The quarterly totals line provides space for the totals for the quarter, and the final quarter provides space for the totals of the year. The yearly totals are needed for preparation of annual reports to the federal, state and some city governments.

TIME SHEET

NAME Josephine Valenzuela

EMPLOYEE # 1234

PAY PERIOD April 15, 1974

LOCATION OFFICE

Fed. W/H Code [ ] [ ] for accounting use only

DESCRIPTION (account number)	WEEK ENDED 4/8 S	M	T	W	T	F	S	WEEK ENDED 4/15 S	M	T	W	T	F	S	TOTAL HOURS	FOR ACCOUNTING USE ONLY RATE	GROSS PAY	FED W/H	FICA	STATE W/H	MISC. DEDUCT.	NET PAY
REGULAR		8	8		8	8			6	4					72							
OVERTIME						2									2							
VACATION											8	8	8		24							
HOLIDAY															←							
SICKNESS				8						4					12							
COMP. TIME									2						(2)							
TOTALS		8	8	8	8	10			6	8	8	8	8		80							

Remarks

CK. NO. 196

I certify that the above information is true to the best of my knowledge and belief.

J. Valenzuela — Employee signature — 4/12/74 Date

Supervisors signature — 4/15/74 Date

CODE
V = vacation
I = illness
H = holiday

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COMPENSATION RECORD

NAME Josephine Nuñez Valenzuela S. S. ACCOUNT NO 572-76-7944

ADDRESS 881 S. 7th St.
San Jose, Ca.

PHONE 998-1343

MALE ( ) FEMALE (✓) U. S. CITIZEN YES (✓) NO ( ) DATE OF BIRTH 1/21/50 AGE 23

EXEMPT FROM ( ) F.I.C.A. ( ) INC. TAX WITHHOLD ( ) REASON

DATE EMPLOYED 5/16/73 DATE TERMINATED REASON

NAME OF PARENT (IF MINOR UNDER 18 AND NOT MARRIED) Tony E. Valenzuela PHONE

DATE	DEPARTMENT OR PLACE	OCCUPATION	RATE OF PER HR. DAY
5/25		Sec.	600-*
6/15		"	300-

DATE 19	DAY OR HRS	EARNINGS REGULAR	Hrs	FIT	SDI	DEDUCTIONS		PAY NET AMOUNT	CHECK NO	DATE 19	DAY OR HRS	EARNINGS REGULAR	ORDER FILED
1/5		300-	17	55 44	28	3-	3 40	231 15	442				
1/6 1/20		300-	17	55 44	70	3-	3 60	231 15	468	✓			
1/21 1/5		300-	17	55 44	70	3 00	3 20	231 15	489	✓			
2/6 2/20		300-	17	55 44	70	3 00	3 60	231 15	520	✓			
2/21 3/5		275 00	16	09 34	19	2 75	3 00	214 06	117	✓			
3/18		275 00	16	09 34	10	2 75	300	214 06	142	✓			
QUARTER		1750 00	102	38 250	00	17 50	20 10	1352 72		QUARTER			
4/4		275-	16	09 34	10	2 75	3 00	214 06	160	✓			
4/18		288 75	16	84 40	70	2 89	3 20	225 07	196	✓			
5/2		288 75	16	89 40	70	2 89	3 20	225 07	216	✓			
5/12		290-	16	97 42	00	2 90	3 40	237 23	244				
5/4		290	16	97 29	50	2 90	3 40	237 23	280				

RESIGNED

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22 RECORD OF CHECKS DRAWN ON . MONTH OF APRIL 19

CH	FICA 210.1	FIT 210.2	SDI 210.3	SIT 210.4	Y	NET AMOUNT OF CHECK CREDIT BANK	Y	CHECK NO.	DAY	DRAWN IN FAVOR OF	GROSS SALARIES & WAGES 600
										AMOUNTS FORWARDED	
	18 34	58 30	3 20	7 10		233 31	✓	186	18	CARMEN CENIZ	320 00
						— 0 —		187	18	VOID	
						— 0 —		188	18	VOID	
	12 29	27 60	2 10	1 90		166 11	✓	189	18	CAROLINA LOPEZ	210 00
	9 63	18 00	1 65	60		134 68	✓	190	18	BERNARDINA LANDEROS	164 00
	5 48	—	97	—		90 48	✓	191	18	RAMON MARTINEZ	97 00
	9 63	23 90	1 65	1 60		127 78	✓	192	18	STEVE MARTINEZ	164 00
	17 20	17 30	2 94	—		256 56	✓	193	18	LILLIAN OSORIO	294 00
	6 14	2 70	1 05	—		95 11	✓	194	18	JUANA SANCHEZ	105 00
	12 29	29 50	2 10	1 80		164 31	✓	195	18	ESPERANZA SOLORZANO	210 00
	16 89	40 70	2 89	3 20		225 07	✓	196	18	JOSEPHINE VALENZUELA	288 75
	3 40	70	5 81	—		48 17	✓	197	18	ANNA MARIE GONZALEZ	58 11
	68	—	1 16	—		9 76	✓	198	18	MARCELLA MORENO	11 62
	3 40	—	5 81	—		48 87	✓	199	18	ROSA DONIZ	58 11
	[illegible]	[illegible]	6 [illegible]	5 1 10		[illegible]	✓	200	26	DIANE GARNETT VOID ~~[illegible]~~	[illegible]
	338 86	690 10	64 50	51 10		14198 65					1423 31
	✓	✓	✓	✓		✓					✓

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3. Cash Receipts Journal

Cash usually comes from the following sources:

1. Cash sales to customers
2. Cash received on account for sales previously made on credit.
3. Grant funds are usually received from the grantor, contributions and paybacks of advances.
4. Miscellaneous sources.

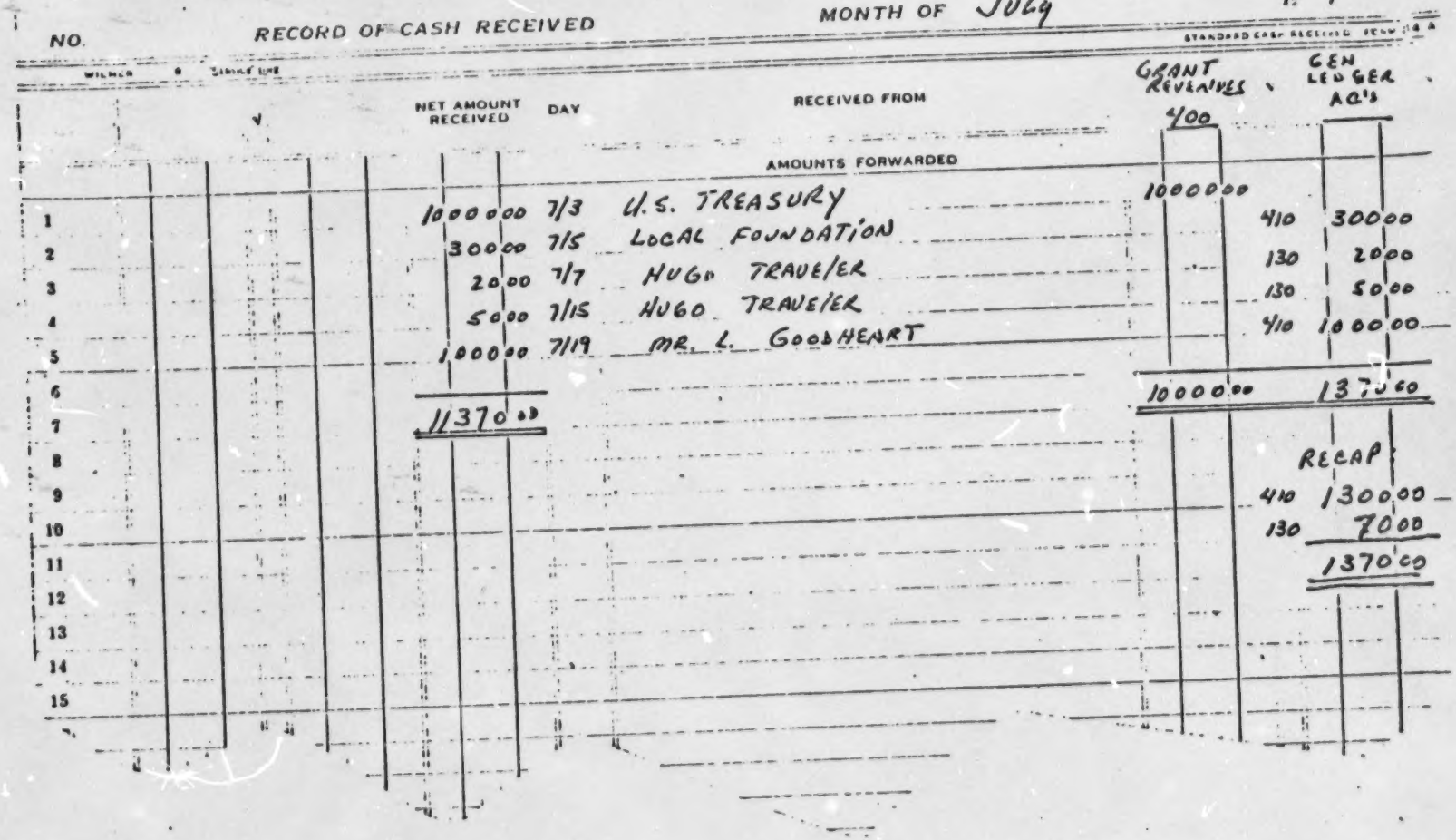
Each time one of these sources of cash is received, a written record must be made. If it is a cash sale, the record may be a cash register tape. If not, the record may be in the form of a receipt. The receipt for cash should be prepared in at least two copies, with the original going to the person making the payment and the other copy being kept by the accountant for recording the cash.

Miscellaneous cash receipts should show the source, amount, and nature of the cash received. Cash receipts should be summarized in a cash receipts journal.

The cash receipts journal is a summary of cash received showing the source from which the cash came.

The cash receipts journal should have the following information:

1. Date of receipt of the cash
2. Source from which received
3. Total amount received
4. Columns for distributing the nature of the receipts
5. A cross-reference indicator signifying the journal page.



RECORD OF CASH RECEIVED — MONTH OF July — 11 1

NO.	NET AMOUNT RECEIVED	DAY	RECEIVED FROM	GRANT REVENUES 400	GEN LEDGER A/C's	
			AMOUNTS FORWARDED	1000000		
1	1000000	7/3	U.S. TREASURY		410	30000
2	30000	7/5	LOCAL FOUNDATION		130	2000
3	2000	7/7	HUGO TRAVELER		130	5000
4	5000	7/15	HUGO TRAVELER		410	1000000
5	1000000	7/19	MR. L. GOODHEART			
6				1000000		137000
7	1137000					
8					RECAP	
9					410	1300000
10					130	7000
11						137000
12						
13						
14						
15						

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4. General Journal

The general journal is used to document and record transactions in the general ledger which are not recorded by other journals or registers. An example of transactions recorded in the general journal are transactions involved to record openings, closings, corrections, and unusual entries.

Each journal entry should be identified by a date and number and contain a complete explanation of the transaction being recorded.

It is inevitable that errors occur occasionally. Errors should not be corrected by erasures as this tends to clutter the pages and may arouse suspicions. Correcting an error depends on the nature and timing of the error. If, when posting a transaction, an error occurs by posting the wrong amounts or in the wrong column, the correction should be made by drawing a line through the error and by writing the correct amount above it or in the correct column.

When an erroneous entry has been posted to the general ledger, it is usually preferable to correct it by means of an entry in the general journal.

RECORD OF JOURNAL ENTRIES MONTH OF 1974 NO.

DAY 1974	DESCRIPTION	ACCT. NO.	DETAIL	✓	CHARGES	✓	CR
	(3)						
Nov 31	Salaries and Wages	600			1250 00		
	Contract services	620			600 00		
	Supplies	670			785 90		
	Other Costs	680			325 72		
	Accounts Payable	200					2
	To record unpaid invoices						2
	and estimated payroll due						
	at 11/30/74 HT						
	(4)						
Nov. 31	Supplies	670			235		
	other Costs	680					
	To correct the distribution						
	of Check # 1109 of Nov. 15, 1974						
	to HECK SUPPLIES erroneously						
	charged to other Costs in the						
	cash disbursements Journal -						
	see CJD11 HT						

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5. General Ledger

As business is transacted, there will be changes in the asset, liability and fund accounts. The entries in the various journals do not bring together in one place all the information about one item, such as cash, salaries and wages, etc. For this reason, the transactions from the various journals are sorted into forms known as accounts. A group of accounts is known as a general ledger.

The difference between the debits (left side) and credits (right side) of a general ledger account is known as the account balance.

6. Property Control

A record should be maintained for each item of non-expendable property acquired for each program. Non-expendable property is that which will not be consumed or lose its identity by being incorporated into another item of property. The record should include the following:

1. Description of the property
2. Date of acquisition
3. Location of property
4. Decal number, if applicable
5. Quantity of item
6. Acquisition cost or assigned value
7. Information as to whether the item of property was new or used at the time of acquisition.

The total amount shown on this record should agree with the amount shown on the Equipment Account (A/C 150).

A physical inventory should be taken and reconciled with the subsidiary ledger annually.

VI. PETTY CASH FUND

Good business practice requires that two rules be closely followed when dealing with cash:

1. All cash receipts must be deposited in the bank each day and not be used to pay expenses.
2. All expenses should be paid by check.

Every organization, however, has many small bills which are more easily paid by cash. It is just not practical, for example to pay messengers or buy postage stamps with checks. These cash payments, which are exceptions to Rule 2 above, require that a special cash fund be used for small expenses. This type of fund is a petty cash fund.

To create such a fund:

1. Estimate the amount of these small expenses that will be paid in cash during an average two-week to one-month period.
2. Cash a regular check for this amount and keep all the money in a separate place in the control of only one person. This fund should remain at that fixed amount and not change from one period to another.
3. Each time an expense is paid out of this fund, a bill marked "Paid" and a signed receipt for the amount paid should be kept with the money so that at all times the total of bills or receipts and the money still in fund will equal the fixed amount of the petty cash fund.
4. Remove all paid bills and signed receipts when the fund becomes low, and write a business check for the totals of these items. When this check is cashed, it replaces the money used and brings the balance of cash in the fund to the original fixed amount. When the fund is reimbursed, the various expenses accounts should be charged for the amounts spent.
5. In the operation of the petty cash fund, employees should be discouraged from taking advances or cash personal checks with petty cash monies.

Petty Cash Disbursement

No. _____ Date DEC. 1 19 71

$ 1.02

TO POSTMAN

Amount One + 02/100 DOLLARS

For POSTAGE

Account Number POSTAGE

Approved By Jerry Stal

Received Payment Mrs. Postman

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VII. DOCUMENTATION

Documentation is the basis for any sound accounting system and proper internal control procedures. All transactions recorded within the system must be supported by some documentary evidence and, preferably, these documents should bear the proper signature approving the transaction. Documentation should be in the form of purchase orders, invoices, travel vouchers, time tickets, memorandum, etc., in order to properly support any transaction.

The following should be the minimum documentation that should be required for the following expenses:

1. Salaries and wages and employees' fringe.
   a. Daily time records should be retained which specifically disclose all effort expended on behalf of the grant.
   b. All time records relating to the grant's activities must be signed by the employee and approved by his supervisor.
   c. W-4 information, application for employment, a personnel status form showing the employee's progress within the company, as well as other pertinent payroll data (i.e., insurance deduction forms) should be kept in the employee personnel file.
   d. Individual ledger accummulating time spent on grant by employee.
   e. Evidence of periodic reporting to proper taxing authorities through required forms (i.e., 941's, DE-3's, etc.).

2. Consultant and contract services.
   a. Document all data relating to the method of making the award; the number of proposals obtained; that award was made to lowest bidder; if award was not made to lowest bidder, show justification for reason.
   b. Payments made to consultants and contractors must be supported by vouchers submitted indicating nature and amount of work performed.

c. All vouchers submitted for reimbursement must be approved by the designated project authority prior to issuance of payment for the voucher.
d. A contract register shall be established and maintained for each consultant and contractor. This register will indicate the name of the consultant or contractor, the date each contract was executed, the total contract price, the date of each payment made and the balance due under the contract.

3. Travel
   a. Any travel outside the limits of the reservation or local area should be first approved in writing by the project Director; documentation shall be submitted that will outline the reasons for the trip, etc. A report should be submitted at the time of return stating places attended, length of stay and a brief description of conference or meeting agenda.
   b. Expense reports for all travel expense should be submitted within thirty (30) days after completion of trip, signed by travelers and approved by supervisor.
   c. Out-of-town travel involving airline carriers should be less than first class accommodations except when such are not available.
   d. In-town travel should be reimbursed upon the submission of travel claim forms which shall indicate the following: Dates, destinations (beginning and ending), odometer readings, reasons for trip and persons contacted. The report shall be signed by the employee claiming travel reimbursement and approved by his supervisor.

4. Space costs
   a. Leases negotiated shall be approved by the Director prior to execution of such leases.
   b. Rentals paid for quarters shall be comparable with other rent charges in the area.

5. Supplies, communications and utilities and other costs
   a. Copies of all purchase orders and requisitions issued should be retained in files.
   b. Receiving reports, indicating date of receipt of all orders and signature of individual receiving same, shall be attached to the purchase orders, requisitions or vendor vouchers.
   c. All vouchers from vendors should be approved prior to payment by an authorized official.

6. Rental, lease and purchase of equipment.
   a. A record should be maintained for each item of non-expendable property acquired for the grant.
   b. The record should also include information as to whether the item of property was new or used at time of acquisition. The aggregate of the individual costs shown on the record cards shall equal the balance in the subsidiary cost account for non-expendable property.
   c. A physical inventory should be taken and reconciled with the record card annually.

VIII. DAILY CASH CONTROL

It is imperative that control over cash be established early in the period. Good business sense requires that a good posture be maintained with all the businesses with which an organization deals. The fastest way to lose credence is for organizations checks to "bounce."

An effective control of cash can be established through the use of the Daily Cash Control Sheet. This control should be maintained at least for all the major bank accounts under the organization's control and documents, receipts, disbursements and daily cash balances.

DAILY CASH CONTROL ACC. NO. XXXX

MONTH OF September, 1974

DATE	DESCRIPTION				RECEIPTS	DISBURSEMENTS	DAILY CASH BALANCE
ct. 1	Balance Forward						3137.
ct. 3	Checks 1039 - 1042					569 40	2568.
ct. 8	Checks 1043 - 1050					387 58	2180.
ct. 9	Checks 1051 - 1057					1390 27	790.
ct. 11	Deposit No. 9-01				3900 00		4690.
ct. 11	Checks 1058 - 1075					3895 11	795.

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IX. CHART OF ACCOUNTS

In order to properly compile transactions that are alike in nature, an account must be established. By this method all charges of, say, rent are thereby compiled in one place and a running total is kept track of.

The number of accounts to be kept for any particular organization depends upon the nature of its operations, its volume of transactions, and the extent to which details are desired. For example, it may be desired to maintain a separate account for light and power expenses, heat expenses, and telephone and telegraph expenses; or all these expenses can be compiled into one account, communications and utility expenses.

For grant administration purposes, the approved budget is usually the best source to determine how many accounts should be opened and maintained.

Once the number and type of accounts desired are established they should be numbered and indexed in a formal manner; this is the chart of accounts.

Two examples of chart of accounts follow.

Basic: For smaller programs where detailed accounts are not required or are unnecessary. This would also apply to a small tribal organization or special project of limited duration.

Complex: Extensive accounts are identified for use in expanded programs where accurate subdivisions are required due to large amounts of funds being handled with investment possibilities of surplus inactive funds. Accurate recording of notes, certificates, advances, equipment, etc., is of utmost importance.

These examples will allow you some discretions as to the detail required.

BASIC CHART OF ACCOUNTS

Assets

100		Cash in bank
101		Petty cash
110		Accounts receivable
120		Grants receivable
130		Advances
150		Fixed assets
155		Investment in fixed assets

Liabilities

200		Accounts payable
210		Payroll taxes payable
	210.1	FICA
	210.2	FIT
	210.3	SDI
	210.4	SIT
	210.5	Other
220		Notes payable

Equity Fund Balances

300		Fund balances

Revenues

400		Grant revenues
410		Contributions

Expenses

600		Salaries and wages
610		Fringe benefits
620		Consultants and contracts
630		Travel
	630.1	Local
	630.2	Out-of-town
640		Space costs
650		Equipment rental, lease and purchase
660		Communications and utilities
670		Supplies
680		Other costs

COMPLEX CHART OF ACCOUNTS

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BALANCE SHEET ACCOUNTS

ACCOUNT NUMBERS	ACCOUNT DESCRIPTION
	ASSETS
	Current Assets
1110	Cash
1120	Short Term Investments
1130	Accounts Receivable
1139	Allowance for Doubtful Accounts
1140	Notes Receivable
1150	Accrued Interest Receivable
1155	Inventories
1170	Prepaid Insurance
1171	Prepaid Equipment Rent
1172	Prepaid Rent
1174	Prepaid Office Supplies
1175	Prepaid Teaching Materials
1177	Other Prepaid Items
	PROPERTY, PLANT & EQUIPMENT
1210	Land
1220	Buildings
1229	Accumulated Depreciation - Building
1230	Equipment
1239	Accumulated Depreciation - Equipment
1240	Vehicles
1249	Accumulated Depreciation - Vehicles
1260	Other
1269	Accumulated Depreciation - Other
	OTHER ASSETS
1340	Notes due after One Year
1320	Investments in Affiliates
1310	Land Held for Investment
1360	Other
	INTANGIBLE ASSETS
1401	Patents
1405	Goodwill

LIABILITIES & EQUITY OR FUNDING

2130	Accounts Payable - Trade
2131	Accounts Payable to Affiliates
2140	Notes Payable
2150	Accrued Interest Payable
2155	Accrued Wages Payable
2160	Other Accrued Items
2180	FICA Taxes - (Social Security)
2181	State Disability Tax
2182	Federal Income Tax Withholding-Liability
2183	State Income Tax Withholding-Liability
2184	Other Payroll Tax Withholding-Liability
2195	Estimated Income Tax
2190	Advances from Government Agencies
2191	Advances from Private Individuals and Corporations
2192	Advances from Foundations and Charitable Organizations

EXPENSE ACCOUNTS

ACCOUNT NUMBERS	ACCOUNT DESCRIPTION
	ADMINISTRATIVE - Variable Code 1
6102	Accounting General
6103	Accounting Audit
6104	Advertising
6106	Bulletin Expense
6107	Dues and Subscriptions
6109	Copying and Printing Expense
6110	Delivery Expense
6111	Legal Expense
6112	Miscellaneous Expense
6113	Other Supplies Expense
6114	Outside Service Expense
6115	Postage Expense
6116	Publication Expense (paper & printing)
6117	Recruitment and Relocation Expense
6118	Telephone & Telegraph Expense
6174	Office Supplies Expense
6193	Tax - Sales
6194	Tax - Other
	ADMINISTRATIVE - Fixed Code 2
6201	Amortization Expense
6205	Bank Charges
6214	Equipment Maintenance - Office
6215	Janitorial Expense
6216	Utilities
6220	Depreciation Expense
6250	Interest Expense
6270	Insurance Expense
6272	Rent Expense
6273	Equipment Maintenance - Other
6280	Tax - Social Security
6286	Tax - Federal Unemployment
6287	Tax - State Unemployment
6293	Tax - Property
	TRAVEL - Code 3
6305	Meals and Lodging - Employees Expense
6310	Meals and Lodging - Board of Directors
6315	Meals and Lodging - Cultural Committee
6320	Meals and Lodging - Economic Committee
6325	Meals and Lodging - Education Committee
6330	Meals and Lodging - Health Committee
6335	Meals and Lodging - Recreation Committee

TRANSPORTATION - Code 4

6405	Transportation - Employees Expense
6410	Transportation - Board of Directors
6415	Transportation - Cultural Committee
6420	Transportation - Economic Committee
6425	Transportation - Education Committee
6430	Transportation - Health Committee
6435	Transportation - Recreation Committee

RENTALS & LEASES - Code 5

6530	Equipment Rental - Airplane
6535	Equipment Rental - Vehicle
6540	Equipment Rental - Other

WAGES - Code 6

6655	Salaries and Wages
6656	Salaries and Wages - Officers
6657	Employee Benefits Expense
6658	Vacation and Sick Pay Expense

PROMOTION & DEVELOPMENT - Code 7

6701	Contests and Awards Expense
6702	Contributions Expense
6703	Entertainment
6704	Promotional Publication Expense
6705	Public Relations Expense
6739	Bad Debts

TEACHING - Code 8

6813	Employee Education Expense
6875	Teaching Materials

6900	UNCLASSIFIED - Code 9

INCOME ACCOUNTS

ACCOUNT NUMBERS	ACCOUNT DESCRIPTION
	OTHER REVENUE
7000	General Revenue
7010	Rent of Land
7020	Rent of Buildings
7030	Rent of Equipment
7040	Rent of Vehicles
7050	Interest Earned
	OTHER EXPENSE
7150	Interest Expense
	INCOME TAX
8185	Income Tax - Federal
8186	Income Tax - State
	CLOSING ACCOUNT
9000	Revenue & Expense Summary